

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

9 9 — 0 1 0

2. STATE:

Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

April 1, 1999

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.252(b)

7. FEDERAL BUDGET IMPACT:

a. FFY 1998/99 \$ -2.66 Million

b. FFY 1999/2000 \$ -2.78 Million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, p. 8, Addendum A

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-A, p.8, Addendum A

10. SUBJECT OF AMENDMENT:

Updated Grouper from Medicare version 15 to 16.

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ OTHER, AS SPECIFIED:

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James K. Haveman, Jr.

14. TITLE:

Director

15. DATE SUBMITTED:

2-1-99

16. RETURN TO:

Michigan Department of Community Health
Medical Services Administration
P.O. Box 30479
Lansing, Michigan 48909-7979

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

6/30/99

18. DATE APPROVED:

6/6/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

Cheryl A. Harris

21. TYPED NAME:

Cheryl A. Harris

22. TITLE: Associate Regional Administrator
Division of Medicaid and Children's Health

23. REMARKS:

RECEIVED

JUL 07 1999

DMIO - MI/MN/WI

State: MICHIGAN

POLICY AND METHODS FOR ESTABLISHING RATES (INPATIENT HOSPITAL SERVICES)

- The file for computing DRG prices consists of claims from admissions during each hospital's fiscal year ending between October 1, 1993 and September 30, 1995.
- Case mix is the sum of all relative weights assigned to each hospital's claims during the base period divided by the total number of episodes for the hospital during the same period.

Calculation of each hospital's cost per discharge is as follows:

1. Paid Claims
2. Operating Cost/Charge Ratio
3. Med/Surg Cost (Line 1 x Line 2)
4. Med/Surg Discharges
5. Med/Surg Cost per Discharge (Line3/Line 4)
6. Med/Surg Case Mix
7. Med/Surg Cost per Discharge for Case Mix of 1.00 (Line5/Line6)

Each hospital's costs are inflated to a common point in time by using adjustment factors computed from the Data Resources, Inc. PPS-Type Hospital Market Basket Index as indicated below:

<u>FYE</u>	<u>Inflation to 94/95</u>
12/31/94	1.024
3/31/95	1.014
6/30/95	1.006
9/30/95	1.000

The inflation update for the quarter in which the hospital's fiscal year ends is used.

Inflation factors were used to equalize base prices and bring them to a common point in time - October 1, 1997 (the beginning of the state fiscal year). Inflation factors were obtained from the first quarter 1997 Data Resources, Inc. PPS-Type Hospital Market Basket Index:

to 1995-96	1.025
to 1996-97	1.025
to 1997-98	1.027
to 1998-99	1.000

A hospital specific base price is calculated by applying the following factors to the cost per discharge for case mix of 1.00:

1. Multiply by the applicable inflation factors
2. Divide by each hospital's applicable indirect education adjustment
3. Divide by the hospital's specific Cost Adjustor